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EXTERNAL DEBT CRISIS AND DEVELOPMENT

Report of the Second Committee

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I. INTRODUCTION

1. At its 3rd plenary meeting, on 24 September 1993, the General Assembly, on the recommendation of the General Committee, decided to include in the agenda of its forty-eighth session the item entitled "External debt crisis and development" and to allocate it to the Second Committee.

2. The Second Committee considered the item at its 10th, 11th, 18th and 48th meetings, on 14, 15, 26 October, and 13 December. An account of the Committee's discussion of the item is contained in the relevant summary records (A/C.2/48/SR.10, 11, 18 and 48). Attention is also drawn to the general debate held by the Committee at its 3rd to 8th meetings, on 8 and 11 to 13 October (see A/C.2/48/SR.3-8).

3. For its consideration of the item, the Committee had before it the following documents:

(a) Report of the Secretary-General on the international debt strategy as of mid-1993 (A/48/345);

(b) Letter dated 28 May 1993 from the Permanent Representative of Indonesia to the United Nations addressed to the Secretary-General, transmitting the press communiqué issued by the Standing Ministerial Committee for Economic Cooperation of the Movement of Non-Aligned Countries at its meeting held at Bali, Indonesia, from 10 to 13 May 1993 (A/48/182);

(c) Letter dated 4 August 1993 from the Permanent Representative of Brazil to the United Nations addressed to the Secretary-General, transmitting the final document of the third Ibero-American Summit of Heads of State and Government (A/48/291-S/26242).

4. At the 10th meeting, on 14 October 1993, the Director for Macroeconomic and Social Policy Analysis of the Department for Economic and Social Information and Policy Analysis made an introductory statement (see A/C.2/48/SR.10).

II. CONSIDERATION OF DRAFT RESOLUTION A/C.2/48/L.5 AND REV.1

5. At the 18th meeting, on 26 October, the representative of Colombia, on behalf of the States Members of the United Nations that are also members of the Group of 77, and China, introduced a draft resolution entitled "Enhanced international cooperation towards a durable solution to the external debt problems of all developing countries" (A/C.2/48/L.5) and orally revised the text as follows:

(a) A new paragraph 9 was added to read as follows:

"Stresses that concerted action to alleviate the debt burden of developing countries by developed countries is critical to growth in the developing world, which, in turn, is essential for the growth of the world economy;"

and the subsequent paragraphs were renumbered accordingly.

(b) In operative paragraph 14, after the words "developing countries" the words ", taking into account the situation of middle-income countries and in particular that of low-income countries" were inserted.

6. The draft resolution, as orally revised, read as follows:

"The General Assembly,

"Reaffirming its resolutions 41/202 of 8 December 1986, 42/198 of 11 December 1987, 43/198 of 20 December 1988, 44/205 of 22 December 1989, S-18/3 of 1 May 1990, 45/199 of 21 December 1990, 45/214 of 21 December 1991, 46/151 of 18 December 1991, and 47/198 of 22 December 1992,

"Noting the limited progress achieved so far in solving the debt problem and stressing that further concrete measures are essential to solve the external debt problem of a large number of developing countries,

"Noting also with concern the continuing debt and debt-service problems of indebted developing countries (least developed, low-income, lower middle-income and middle-income) which adversely affect their development efforts and economic growth, and reiterating the need to address and solve those problems through effective debt-relief measures,

bearing in mind, in this context, the special and critical situation of the indebted developing countries of Africa,

"Stressing the importance of alleviating the onerous debt and debt-service burdens connected with all types of debt, commercial and public, multilateral and bilateral, of all developing countries,

"Stressing the necessity of a supportive international economic environment - in particular stable exchange rates, low international interest rates, an open international trading system and the amelioration of the terms of trade of developing countries - and noting the inadequacy of resources for the implementation of international consensus agreements on development,

"Expressing its concern that, in many developing countries, the burden of debt and debt service constitute one of the major obstacles to the revitalization of growth and development, despite the often strenuous economic reforms of those countries,

"Noting that those developing countries which have continued, at great cost, to meet their international debt and debt-service obligations in a timely fashion have done so despite severe external and domestic financial constraints,

"1. Takes note of the Secretary-General's report concerning the external debt crisis and development; 1/

"2. Expresses its concern that only a few countries have been able to conclude agreements on commercial bank debt-service reduction and calls for the conclusion of similar agreements with all interested developing countries;

"3. Also stresses the need for the implementation of additional debt-relief measures, including further reduction and cancellation of debt and debt service related to official debt, and for more urgent actions with regard to, inter alia, the remaining commercial debt owed by the developing countries;

"4. Also calls upon the international community, in particular the developed creditor countries, to write-off the official bilateral debt owed by the least developed countries;

"5. Calls for the rapid and effective implementation of the measures taken to address the debt problem of certain middle-income African countries and invites all creditors to take appropriate measures for all middle-income debtor developing countries, taking into account the special and critical situation of those in Africa;

1/ A/48/345.

"6. Calls on the donor countries and multilateral financial institutions to consider taking innovative measures for substantial relief of the debt of low-income countries;

"7. Stresses the need for the broadest and most expeditious implementation of the recent initiatives and the need to continue to build upon them, and calls on the developed countries to adopt and implement the Trinidad and Tobago terms;

"8. Recognizes the urgent need to continue to provide a social safety net to vulnerable groups most adversely affected by the implementation of economic reform programmes in the debtor countries, in particular low-income groups, in order to ensure social and political stability;

"9. Stresses that concerted action to alleviate the debt burden of developing countries by developed countries is critical to growth in the developing world, which, in turn, is essential for the growth of the world economy;

"10. Also recognizes the need of debtor developing countries for a supportive international economic environment as regards, inter alia, terms of trade, commodity prices, improved market access and trade practices, and stresses the urgent need for a balanced and successful outcome of the Uruguay Round of multilateral trade negotiations, which would result in the liberalization and expansion of world trade to the benefit of all countries, in particular the developing countries;

"11. Stresses the need, in addition to debt relief measures that include debt and debt-service reduction, for new financial flows to debtor developing countries, and urges the creditor countries and the multilateral financial institutions to continue to extend concessional financial assistance, as appropriate, in order to support the implementation by the developing countries of their economic reforms, stabilization and structural adjustment programmes, so as to enable them to extricate themselves from the debt overhang and to assist them in achieving economic growth and development;

"12. Urges the international community to consider wider application of innovative measures, such as debt-for-equity swaps, debt-for-nature swaps and debt-for-development swaps, without prejudice to more durable solutions such as debt cancellation;

"13. Calls upon private creditors and commercial banks to renew and expand initiatives and efforts to tackle the commercial debt problems of the least developed countries, and of low- and middle-income developing countries;

"14. Invites the multilateral financial institutions to consider rescheduling and reducing the arrears owed by the least developed countries, and low- and middle-income countries, taking into account the special and critical situation of those in Africa, and decides that a study should be undertaken to examine how the multilateral financial institutions

can best extend debt relief measures of the debt owed to them by developing countries;

"15. Urges the international community to devise an innovative strategy to deal with the debt problems of developing countries, taking into account the situation of middle-income countries and in particular that of low-income countries that have carried out economic reforms, met their obligations and continued to service their debt at great social cost;

"16. Requests the Secretary-General to report to the General Assembly at its forty-ninth session on the implementation of the present resolution."

7. At its 48th meeting, on 13 December 1993, the Committee had before it a revised draft resolution submitted by the sponsors of draft resolution A/C.2/48/L.5 (A/C.2/48/L.5/Rev.1).

8. The representative of Cameroon made oral revisions to the text as follows:

(a) In the title and in the second line of the sixth preambular paragraph, the word "all" before the word "developing" was deleted;

(b) In the third line of the second preambular paragraph, the word "problem" was replaced with the word "problems";

(c) In the third line of operative paragraph 5, the word "take" was replaced with the words "consider taking", and the word "all" before the word "middle-income" was deleted;

(d) At the end of operative paragraph 13, the words "reduction and/or" were inserted after the word "debt".

9. At the same meeting, the Committee adopted revised draft resolution A/C.2/48/L.5/Rev.1, as orally revised, by a recorded vote of 152 to 1 (see para. 11). The voting was as follows:

In favour: Afghanistan, Albania, Algeria, Angola, Antigua and Barbuda, Argentina, Armenia, Australia, Austria, Azerbaijan, Bahamas, Bahrain, Bangladesh, Barbados, Belarus, Belgium, Belize, Benin, Bolivia, Botswana, Brazil, Brunei Darussalam, Bulgaria, Burkina Faso, Burundi, Cambodia, Cameroon, Canada, Cape Verde, Central African Republic, Chile, China, Colombia, Congo, Costa Rica, Côte d'Ivoire, Croatia, Cuba, Cyprus, Czech Republic, Democratic People's Republic of Korea, Denmark, Djibouti, Dominican Republic, Ecuador, Egypt, El Salvador, Eritrea, Estonia, Ethiopia, Fiji, Finland, France, Gabon, Germany, Ghana, Greece, Guinea, Guinea-Bissau, Guyana, Haiti, Honduras, Iceland, India, Indonesia, Iran (Islamic Republic of), Iraq, Ireland, Israel, Italy, Jamaica, Japan, Jordan, Kazakhstan, Kenya, Kuwait, Kyrgyzstan, Lao People's Democratic Republic, Latvia, Lebanon, Lesotho, Libyan Arab Jamahiriya, Liechtenstein, Lithuania, Luxembourg, Madagascar, Malawi,

Malaysia, Maldives, Mali, Malta, Marshall Islands, Mauritania, Mexico, Micronesia (Federated States of), Mongolia, Morocco, Mozambique, Myanmar, Namibia, Nepal, Netherlands, New Zealand, Nicaragua, Niger, Nigeria, Norway, Oman, Pakistan, Panama, Papua New Guinea, Paraguay, Peru, Philippines, Poland, Portugal, Qatar, Republic of Korea, Republic of Moldova, Romania, Russian Federation, Samoa, Saudi Arabia, Senegal, Sierra Leone, Singapore, Slovakia, Spain, Sri Lanka, Sudan, Suriname, Swaziland, Sweden, Syrian Arab Republic, Thailand, the former Yugoslav Republic of Macedonia, Togo, Trinidad and Tobago, Tunisia, Turkey, Uganda, Ukraine, United Arab Emirates, United Kingdom of Great Britain and Northern Ireland, United Republic of Tanzania, Uruguay, Venezuela, Viet Nam, Yemen, Zaire, Zambia, Zimbabwe.

Against: United States of America.

10. After the draft resolution was adopted, a statement was made by the representative of Colombia on behalf of the States Members of the United Nations that are also members of the Group of 77 (see A/C.2/48/SR.48).

III. RECOMMENDATION OF THE SECOND COMMITTEE

11. The Second Committee recommends to the General Assembly the adoption of the following draft resolution:

Enhanced international cooperation towards a durable solution to the external debt problems of developing countries

The General Assembly,

Reaffirming its resolutions 41/202 of 8 December 1986, 42/198 of 11 December 1987, 43/198 of 20 December 1988, 44/205 of 22 December 1989, S-18/3 of 1 May 1990, 45/199 of 21 December 1990, 45/214 of 21 December 1991, 46/148 and 46/151 of 18 December 1991, and 47/198 of 22 December 1992,

Noting that, owing to uneven developments in the context of the evolving international debt strategy, further progress and further concrete measures are essential towards the solution of the external debt problems of a large number of developing countries,

Welcoming the fact that some developing countries have made substantial progress towards resolving their debt difficulties,

Noting with concern the continuing debt and debt-service problems of indebted developing countries, which adversely affect their development efforts and economic growth, and reiterating the need to address and solve those problems through effective debt-relief measures, bearing in mind, in this context, the special and critical situation of the most indebted developing countries of Africa,

Noting that a number of countries with economies in transition are experiencing debt-servicing difficulties, while recognizing that the Paris Club has adopted a flexible and innovative approach to deal with these problems, and calling upon private creditors to adopt similar measures,

Stressing the importance of alleviating the onerous debt and debt-service burdens connected with all types of debt of developing countries, taking into account the urgent need for an equitable and durable approach,

Emphasizing the importance for debtor developing countries of continuing to pursue and intensify their efforts in their economic reform, stabilization and structural adjustment programmes, in order to raise savings and investment, reduce inflation and improve economic efficiency, taking into account their individual characteristics and the vulnerability of the poorer strata of their populations,

Stressing the necessity of a supportive international economic environment as regards, inter alia, terms of trade, commodity prices, improved market access, trade practices, exchange rates and international interest rates, and noting the continued need for resources for the implementation of international consensus agreements for the promotion of sustainable development,

Expressing its concern that, in many developing countries, the burden of debt and debt service constitute one of the major obstacles to the revitalization of growth and development, despite the often strenuous economic reforms of those countries,

Noting that those developing countries which have continued, at great cost, to meet their international debt and debt-service obligations in a timely fashion have done so despite severe external and domestic financial constraints,

1. Takes note of the Secretary-General's report concerning the external debt crisis and development; 2/

2. Notes the fact that some debtor developing countries with commercial external debt have been able to conclude agreements on commercial bank debt-service reduction, and calls for the conclusion of similar agreements with other interested developing countries;

3. Calls upon the international community to explore ways to implement additional measures, including further cancellation or reduction of debt and debt service related to official debt, and to take more urgent actions with regard to, inter alia, the remaining commercial debt owed by the developing countries;

4. Welcomes the write-off by certain donors of a significant part of the bilateral official debt of the least developed countries, and urges those countries which have not done so to cancel or provide equivalent relief for the official development assistance debt of the least developed countries;

2/ A/48/345.

5. Calls for the rapid and effective implementation of the measures ta to address the debt problem of certain middle-income African countries and invites all creditors to consider taking appropriate measures for middle-inco debtor developing countries, taking into account the special and critical situation of those in Africa;

6. Also calls upon the donor countries and multilateral financial institutions, within their prerogatives, to consider appropriate new measures for substantial relief of the debt of low-income countries;

7. Stresses the need for the broadest and most expeditious implementat of the recent initiatives and the need to continue to build upon them, and ca upon the developed countries to adopt and implement further debt-alleviating terms, including consideration of the Trinidad and Tobago terms, as appropria

8. Recognizes the urgent need to continue to provide a social safety n to vulnerable groups most adversely affected by the implementation of economi reform programmes in the debtor countries, in particular low-income groups, i order to ensure social and political stability;

9. Emphasizes the importance for developing countries to continue thei efforts to promote a favourable environment for attracting foreign investment thereby promoting growth and sustainable development;

10. Stresses that concerted action by the international community, in particular by developed countries, to alleviate the debt burden of developing countries is vital to growth in the developing countries, which, in turn, wou promote the growth of the world economy;

11. Recognizes the need of debtor developing countries for a supportive international economic environment as regards, inter alia, terms of trade, commodity prices, improved market access and trade practices, and stresses th urgent need for a balanced and successful outcome of the Uruguay Round of multilateral trade negotiations, which would result in the liberalization and expansion of world trade to the benefit of all countries, in particular the developing countries;

12. Stresses the need, in addition to debt-relief measures that include debt and debt-service reduction, for new financial flows to debtor developing countries, and urges the creditor countries and the multilateral financial institutions to continue to extend concessional financial assistance, as appropriate, in order to support the implementation by the developing countri of their economic reforms, stabilization and structural adjustment programmes so as to enable them to extricate themselves from the debt overhang and to assist them in achieving economic growth and development;

13. Urges the international community to consider wider application of innovative measures, such as debt-for-equity, debt-for-nature and debt-for-development swaps, without prejudice to more durable solutions such debt reduction and/or cancellation;

14. Calls upon private creditors and, in particular, commercial banks to renew and expand initiatives and efforts to tackle the commercial debt problems of the least developed countries and of low- and middle-income developing countries;

15. Urges the multilateral financial institutions to continue to provide support for debt and debt-service reduction packages with the necessary flexibility under their established guidelines, and also urges that earnest attention be given to continuing to work towards a growth-oriented solution to the problems of developing countries that are having serious debt-servicing difficulties, including those countries whose debt is mainly to official creditors or to multilateral financial institutions;

16. Urges creditor countries, private banks and, within their prerogative, multilateral financial institutions to consider the extension of appropriate new financial support to developing countries, in particular the low-income countries with substantial debt burdens that continue, at great cost, to service the debt and meet their international obligations;

17. Requests the Secretary-General to report to the General Assembly at its forty-ninth session on the implementation of the present resolution.